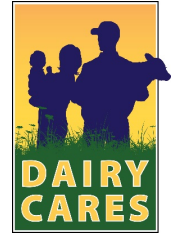




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April 10, 2017

Ms. Rajinder Sahota  
California Air Resources Board  
1001 I Street  
Sacramento, CA 95814

Submitted electronically via: <https://www.arb.ca.gov/cc/scopingplan/scopingplan.htm>

**RE: California Air Resources Board's 2017 Climate Change Scoping Plan Update: The Proposed Strategy for Achieving California's 2030 Greenhouse Gas Target (January 20, 2017)**

Dear Ms. Sahota:

Agricultural Council of California (Ag Council), California Farm Bureau Federation (Farm Bureau) and Dairy Cares appreciate the opportunity to submit comments on the California Air Resources Board's (ARB) 2017 Climate Change Scoping Plan Update (Proposed Plan), released on January 20, 2017. We thank ARB for the additional time to review the Proposed Plan and the efforts staff put into developing supplemental documents that flesh out the economic, environmental and AB 197 impacts. We also recognize the acknowledgement in Appendix E<sup>1</sup> that the economic analysis is ongoing and that additional information will be included in the final release of the 2030 Target Scoping Plan.

Our organizations strive to protect and improve the ability of farmers and ranchers engaged in production agriculture to provide a reliable supply of food and fiber through responsible stewardship of California's resources. California's natural and working lands can and do provide significant environmental and public health benefits and support state and local economies. As an essential part of California's farming heritage, our members understand the importance of protecting the land, water and air for their families, their communities and future generations.

## **2030 Strategy**

The best path to achieve the state's climate change policies is through a comprehensive and flexible policy framework that will achieve cost-effective and technically feasible greenhouse gas (GHG) emissions reductions in all programs and sectors. Post-2020 emissions reductions will come at a much steeper level of decline and will be harder and more expensive to achieve. With

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<sup>1</sup> [https://www.arb.ca.gov/cc/scopingplan/app\\_e\\_economic\\_analysis\\_final.pdf](https://www.arb.ca.gov/cc/scopingplan/app_e_economic_analysis_final.pdf) (page 1)

the pursuit of the 2030 goal comes the responsibility to avoid stranded investments and negative local and state economic impacts. We believe the right mix of measures will safeguard jobs, protect consumers from higher energy costs and achieve the state's environmental goals.

Our organizations continue to have conversations with our members about what is the best scenario for how to achieve GHG reductions of 40 percent below 1990 levels by 2030. Based on the presentation from the March 28, 2017 workshop, the all cap-and-trade scenario provides the most cost-effective way to meet the compliance obligations imposed by AB 32, SB 32 and AB 197. However, staff indicated at the workshop that the all cap-and-trade scenario does not consider the directives from AB 197. We believe cap-and-trade and our known GHG commitments, including the Renewable Portfolio Standard and the Low Carbon Fuel Standard Program, drive direct emissions reductions at regulated facilities and can meet AB 197's intent. AB 197 does not change the primary purpose of AB 32 and SB 32; it instead requires projects that also reduce criteria pollutants be prioritized. That can and should be accomplished without taking away from the state's existing climate change policies. The all cap-and-trade scenario ensures emissions reduction that are real, measurable and achievable while reducing the potential for both economic and emissions leakage.

While cap-and-trade seems to be the least harmful of the concepts described for how to reach our 2030 target, we continue to have important concerns that warrant further attention and review.

### ***Post-2020 Framework & Potential Leakage***

In the Executive Summary, staff describes the major elements of their Proposed Plan and design pieces of the post-2020 cap-and-trade program. Unfortunately, staff is still considering a redesign of the allocation strategy to reduce free allowances and decrease the offset usage limit.

The development of the post-2020 industry assistance factor calculations, based on the international and domestic leakage studies, is very problematic. Neither study looks at market demand when estimating leakage and they do not consider the uniqueness of producing food. We have found through our own independent analysis that there is a real possibility that as proposed cap-and-trade would increase emissions leakage. We urge ARB to reevaluate its assistance factor methodology and implement the cap-and-trade regulation in a way that more accurately portrays the international and domestic pressures on the California agricultural sector. Failure to minimize leakage will not just have direct consequences for California food processing, its employees, and the communities that it supports; it will have a negative impact on global GHG emissions. This outcome directly conflicts with ARB's original purpose of analyzing and minimizing leakage risk to the extent feasible.

### ***Offsets Usage Limit***

Staff is considering lowering the offset usage limit for post-2020. Offsets are a proven means of meeting AB 32 compliance obligations. They are also an effective method of achieving significant GHG emissions reductions here in California and globally, since carbon dioxide pollution knows no boundaries. ARB's original parameters that GHG reductions due to offsets meet the criteria of being real, additional, quantifiable, permanent, verifiable, and enforceable, have slowed growth of the program. For example, there are a limited number of approved protocols and the expense of verifying offsets can be cost prohibitive. As such, the program has not been as robust as it could be.

California is paving the way on climate change programs, and thus, is a global leader. However, Australia has 33 approved protocols. It would be interesting to learn from them how we can build a more successful program. We should not continue to restrain the ability of offsets to reduce emissions. There is a need to expand, expedite and develop additional protocols for activities such as, solid separation and conversion from flush to scrape or vacuum at dairies. It is critical that dairies are incentivized early to develop methane reduction projects consistent with SB 1383 and ARB's Short-Lived Climate Pollutant Plan.

### ***AB 197 & Prescriptive Measures***

AB 197 requires ARB to consider the social cost of carbon, to follow existing AB 32 requirements and to prioritize measures resulting in direct emission reductions. From the onset, AB 32 did not include prescriptive regulations and there are a multitude of comprehensive regulations already in place regulating criteria pollutants, their precursors, and air toxics. We believe these direct source rules are duplicative emission requirements and request that ARB conduct a thorough study of the current regulations to determine whether current federal, state and local regulations are adequate.

For example, California refineries are already the most efficient in the world, but now they must also implement fuel switching, boiler electrification and install more energy technologies on top of participating in the cap-and-trade program. If California refineries decide to stay in state, the costs of complying will be passed along to consumers, which include agriculture. We will have to absorb the increased costs of these changes. We see these costs play out in Table III-4 of the Proposed Plan under Estimate Cost of Prescriptive Measure.<sup>2</sup> Based on the implementation of new direct facility mandates, the agricultural sector will see a total annual cost increase of \$800 million, which is the highest of any sector. The Proposed Plan attributes these increased costs to investments in efficient lighting, mitigation of agricultural methane and nitrogen oxide and increases in fuel costs due to higher electricity and liquid biofuel costs.

Farmers and food processors are subject to global commodity markets and cannot simply raise prices to cover costs. Many buyers of our products – big box, traditional grocery chains and restaurant chains – set the price they will pay our farmers. If California farmers cannot meet the price, the buyers can and do purchase agricultural products from other states and countries. These facts, along with increasing regulatory and labor costs, are driving family farmers out of business or out of the state and fueling a trend toward consolidation.

### ***Peer Review***

In the 2008 Scoping Plan, a peer review document was provided and gave valuable feedback when evaluating ARB's Initial Economic Analysis of the Scoping Plan. We urge ARB to include a similar level of review in the Proposed Plan that includes:

- A cost of regulations in comparison to the cost of consumer goods
- Impacts of increased energy costs
- Impacts on California's competitiveness
- A cost-effective analysis
- Technology and commercial scalability

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<sup>2</sup> [https://www.arb.ca.gov/cc/scopingplan/2030sp\\_pp\\_final.pdf](https://www.arb.ca.gov/cc/scopingplan/2030sp_pp_final.pdf) (page 68)

These environmental and economic points should be explored prior to the release of the final 2030 Target Scoping Plan.

## **Appendix D: PATHWAYS MODELING**

Appendix D presents some of the ARB scenarios that have been taken and implemented by Energy and Environmental Economics, Inc. (E3) through the PATHWAYS model. Staff states that, “The modeling assumptions and results in this document are not intended to establish specific strategies or adopted targets for GHG emission reductions. Rather, the Scoping Plan shows the types of action the State must take in order to reach its GHG reductions goals.”<sup>3</sup> However, it seems that ARB is using this modeling to make the case for their proposed scoping plan scenario to achieve the 2030 goals. In the modeling of non-energy and non-CO2 GHGs, Appendix D<sup>4</sup> lists a 65 percent reduce in manure methane emissions. This does not reflect Section 439730.7 (b)(1) of SB 1383<sup>5</sup> or the Short-Lived Climate Pollutants Strategy<sup>6</sup> that has a goal to reduce dairy and livestock manure management methane emissions up to 40 percent.

Since it is stated that, “emission reduction categories in PATHWAYS do not correspond specifically to the sector targets outlined in SB 1383 and the SLCP Strategy,”<sup>7</sup> it would be helpful if an explanation could be provided as to why E3 used the 65 percent number and what the percentage is based on. These models appear to give a projection of what should happen or as stated, “one potential way to achieve the reductions,” of 40 percent below 1990 levels by 2030. We ask for further discussion with stakeholders and that a 40 percent reduction assumption be used for modeling purposes.

## **Natural & Working Lands**

In his January 2015 inaugural address, Governor Brown identified managing farms, rangelands, forests, and wetlands for carbon storage as one of five key climate change strategies. This policy objective was also codified through the passage of SB 1386 in 2016. The Proposed Plan focuses “renewed attention on California’s natural and working lands and the contribution they make to meet the State’s long-term goals for carbon sequestration, GHG reduction, and climate change adaptation.”<sup>8</sup> Increased emphasis on natural and working lands (NWL) is vital since they can provide critical carbon sinks.

We are highly encouraged to see the continued coordination that has been ongoing with ARB, USDA Natural Resource Conservation Service (NRCS), California Department of Food and Agriculture (CDFA) and other agencies. Going forward, more input data will be needed to get a clear baseline or target and that as policies are developed, it will be important to directly tie the GHG emissions reduction planning targets with funding and technical assistance availability.

## **Land Protection**

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<sup>3</sup> [https://www.arb.ca.gov/cc/scopingplan/app\\_d\\_pathways.pdf](https://www.arb.ca.gov/cc/scopingplan/app_d_pathways.pdf) (page 1)

<sup>4</sup> [https://www.arb.ca.gov/cc/scopingplan/app\\_d\\_pathways.pdf](https://www.arb.ca.gov/cc/scopingplan/app_d_pathways.pdf) (page 25)

<sup>5</sup> [https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill\\_id=201520160SB1383](https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201520160SB1383)

<sup>6</sup> [https://www.arb.ca.gov/cc/shortlived/meetings/03142017/final\\_slcp\\_report.pdf](https://www.arb.ca.gov/cc/shortlived/meetings/03142017/final_slcp_report.pdf) (page 63)

<sup>7</sup> [https://www.arb.ca.gov/cc/scopingplan/app\\_d\\_pathways.pdf](https://www.arb.ca.gov/cc/scopingplan/app_d_pathways.pdf) (page 25)

<sup>8</sup> [https://www.arb.ca.gov/cc/scopingplan/2030sp\\_pp\\_final.pdf](https://www.arb.ca.gov/cc/scopingplan/2030sp_pp_final.pdf) (page 107)

We agree with the addition of “protect” as one of three primary objectives in the NWL section. Avoiding the conversion of California's NWL both preserves the carbon sequestration potential of these lands and places an importance on restricting urban sprawl, which supports infill development and its benefits. These benefits are crosscutting, with the potential to reduce vehicle miles traveled as well.

On p. 107 of the Proposed Plan, we suggest that a *Potential Additional Action* be changed to read as follows: "Promoting stronger boundaries to suburban growth through enhanced support for sprawl containment mechanisms, including urban growth boundaries, and transfer of development rights programs, *and protection of natural and working lands.*"

### **Conclusion**

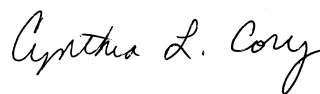
We urge ARB to continue to add greater transparency and metrics into the final 2030 Target Scoping Plan. Additional tables that clearly express the cost-effectiveness, type of emissions reduction, benefit to disadvantaged communities and other factors would be extremely helpful. As written, the Proposed Plan does not provide a clear sense of priorities, timeliness, costs, funding needs, or benefits. It is also important that the Proposed Plan recognize the importance of reducing emissions with incentives while continually evaluating cost-effectiveness and feasibility. This is important for measuring accurate progress in meeting the state's goals as well as coordination between state agencies to avoid regulatory duplication. Please take into account the numerous other climate programs and mandates farmers are subject to, as this is just one piece of the larger climate narrative and farmers have made much progress related to on-farm conservation practices.

We look forward to continue to work with ARB staff to ensure California's climate change policy objectives are met, while maintaining and growing a robust food and agricultural economy. Should you have any questions or need anything further from us, please contact either Rachael O'Brien at (916) 443-4887 / [Rachael@agcouncil.org](mailto:Rachael@agcouncil.org), Cynthia Cory at (916) 446-4647 / [ccory@cfbf.com](mailto:ccory@cfbf.com) or Michael Boccadoro at (916) 441-4383 / [mboccadoro@westcoastadvisors.com](mailto:mboccadoro@westcoastadvisors.com).

Respectfully,



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